GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:4584
ANSWERED ON:08.05.2007
MISUSE OF EXPORT PROMOTION SCHEMES
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether there are corrupt practices prevailing for approving proposals under "export oriented units scheme" due to which many companies misuse the facilities related to export;

(b) if so, the details thereof alongwith the corrective measures taken to check this trend;

(c) the details of the total revenue loss due to misuse of export promotion schemes during the last three years, year-wise;

(d) whether the Ministry has blacklisted those companies which have misused export promotion schemes; and

(e) if so the details thereof alongwith the punishment imposed on such companies?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH)

(a) & (b) : The following criteria have been laid down for approval of units under Export Oriented Unit (EOU) scheme, by the Unit Approval Committee (UAC) which consists of State Government and Central Government representatives :-

(i) Residence proof in respect of individual/partnership firms of all Directors/ Partners. (Passport/ration card/driving licence/voter identity card or any other proof to the satisfaction of Development Commissioner);
(ii) Income Tax return of all the promoters for the last three years;
(iii) Experience of the promoters;
(iv) Marketing tie-ups;
(v) Inspection of the project site by an Officer;
(vi) A report from other Development Commissioners as to whether any case under EOU/SEZ Scheme in regard to diversion of goods etc. is pending.

Wherever necessary, these are verified through personal interview with the promoters of the project. In the event of the promoters being a well-established entity, the procedure of personal interview can be dispensed with.

(c) As per information available, year wise details of revenue loss due to misuse of EOU scheme during last three years is as below:

Year	Revenue loss (Rupees in Crores)
2003-04	660.75
2004-05	842.49
2005-06	439.90

(d) & (e) : Any misuse by the EOUs result in fiscal penalties and even suspension/ cancellation of the EOU status under the provisions of Foreign Trade (Development and Regulation) Act, 1992 besides penal action under the provisions of the Central Excise & Customs Acts. Since before approval of a new unit, report is called by the UAC from all the Development Commissioners, wherever any such misuse is detected, the said person cannot obtain new EOU approval anywhere in the country.